SEC 86 / 2024-25

6th August 2024

The General Manager, DCS – CRD
BSE Limited
Corporate Relationship Department
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Rotunda Building, P J Towers
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MUMBAI - 400 001
Scrip Code: **500114**

The General Manager, DCS – CRD
National Stock Exchange of India Ltd
Exchange Plaza,
Bandra-Kurla Complex,
Bandra (East),
MUMBAI - 400 051
Symbol: **TITAN**

Dear Sirs,

Sub: Earnings Call Transcripts

Pursuant to Regulation 46(2)(oa) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we hereby inform the exchanges that the transcript of audio call recording of the Company's Analyst Call to discuss the unaudited Financial Results (Standalone and Consolidated) for the first quarter ended 30th June 2024 is attached herewith.

The transcript is also available on the website of the Company: www.titancompany.in

Kindly take the same on record and acknowledge receipt.

Yours truly,
For TITAN COMPANY LIMITED

DINESH SHIVANNA SHETTY
Digitally signed by DINESH SHIVANNA SHETTY
Date: 2024.08.06 11:21:18 +05'30'

Dinesh Shetty
General Counsel & Company Secretary

Encl. As stated

"Titan Company Limited
Q1 FY'25 Earnings Conference Call"
August 02, 2024

MANAGEMENT:	**MR. C. K. VENKATARAMAN**	**– MANAGING DIRECTOR**
	MR. ASHOK SONTHALIA	**– CHIEF FINANCIAL OFFICER**
	MR. SWADESH BEHERA	**– CHIEF PEOPLE OFFICER**
	MR. AJOY CHAWLA	**– CEO, JEWELLERY DIVISION**
	MS. SUPARNA MITRA	**– CEO, WATCHES & WEARABLES DIVISION**
	MR. SAUMEN BHAUMIK	**– CEO, EYECARE DIVISION**
	MR. KURUVILLA MARKOSE (DINY)	**– CEO, INTERNATIONAL BUSINESS DIVISION**
	MR. AMBUJ NARAYAN	**– CEO, INDIAN DRESSWEAR DIVISION**

MR. MANISH GUPTA – **CEO, FRAGRANCES & FASHION ACCESSORIES DIVISION**

Moderator: Ladies and gentlemen, good day, and welcome to the Titan Company Limited Q1 FY'25 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. C.K. Venkataraman, Managing Director, Titan Company Limited. Thank you, and over to you, sir.

C. K. Venkataraman: Thank you very much. Hello, everyone, on the call. So Quarter 1 of FY'25 was characterized by multiple external factors, the rising gold price on the one hand, a relatively lower number of wedding dates in the country across India, superheated summer, especially starting late April, all the way into June and multiple excitements caused by the elections leading up to the results on the 4th of June and thereafter.

And on account of all this, there was an overall consumption challenge that you must have read across the board and our different businesses performed differently in this context. And we shared this through the filing to the stock exchange in the first week of July as all of you were aware.

And overall, we are satisfied from the position of where each of our businesses stands in the category and the growth that we have achieved in sales and overall position in the market in this context of external and industry factors. And of course, you would be aware of the end of the Board meeting and the results published as well.

And now I would request you to come in with your questions to all of us. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on your touchtone phone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking the questions. Our first question comes from Manoj Menon from ICICI Securities.

Manoj Menon: Just on the jewellery bit, there are two questions or clarifications. One, what would be the SSG for the quarter? And what would be the new store growth?

Ajoy Chawla: Same-store growth is around 3% for this quarter and overall growth is around 9%.

Manoj Menon: **Thanks Ajoy.** Yes. So I thought it's LFL, right, so not SSG. Is there a difference in definition here of LFL and SSG?

Ajoy Chawla: Like-to-like and same-store

C. K. Venkataraman: Just our term versussomebody else's

Manoj Menon: The reason I asked is because Domino's, for example, defined LFL and SSG as two distinct things actually. So it's just the same thing, right? Same store, which has been around for more than a year.

Ajoy Chawla: Yeah

Manoj Menon: Okay, sure. Just as a quick follow-up on this, do you see a possibility to, let's say, accelerate the store expansion over the next 12, 24 months, given the, let's say, what you highlighted in the analyst meet also on the competitive context changing. Is there a possibility to accelerate expansion if I can use the word land grab? Is that a possibility?

Ajoy Chawla: This is for jewellery you're asking, Manoj?

Manoj Menon: Only jewellery.

Ajoy Chawla: So our aim is to target around 40 to 50 stores in Tanishq and about 70 to 80 stores in Mia and a substantial similar number in CaratLane. So those plans are on. Further beyond that, we are not sure whether it makes sense to push aggressively because it's also a function of our current base.

We are already at a fairly large base. Our presence is also very strong across most towns, 270-towns, etcetera. So we will stick to what we think is the right opportunity and ensure quality of stores that we open are good.

C. K. Venkataraman: Also, what Ajoy has expressed over many of the earlier calls is the prominence of the network and not just the size of the network. For example, this weekend, we are -- next weekend, we are inaugurating a new version of our sector 17 store in Chandigarh -- which is a much bigger sector 17 store compared to earlier. So it's not increasing the count, I think is substantially increasing our presence and competitive advantage.

Ajoy Chawla: So those will continue around 20, 30 stores will get transformed into significantly larger stores in addition to these stores. Each of those expansions is like adding a store.

Manoj Menon: Loud and clear, I must say that we visited recently the Chennai T Nagar store, I could see the transformation. I could get are were you are coming from. Second and last question, I'll come back in the queue. So recently, we noted the custom duty reduction, which has been fairly material. There is a consensus expectation that look, GST can increase.

Now I just want to only understand from this historical experience, let's say, if I'm trying to think about hypothesis of GST of 3% looks like a 5% or 7% print, how does the consumer behave in that context? Because, let's say, in a ₹5 lakh bill, let's say, I see GST as a separate number, which is ₹15,000 number supported suddenly, that increases to ₹25,000 - ₹35,000.

The worry or the concern here is in that sort of a scenario, can it -- trigger a reversal of formulization because it's a separate expense the customer gets to see because I'm not sure the normal consumer really understands the unbundled way of calculating gold price.

So, it just one number we see right? And then this is an expense. So historical implementation, let's say of state VAT or GST, et cetera, how has that transition has been?

C. K. Venkataraman: Not an easy one to answer, Manoj, but I would say that, sure, the store of value challenge comes in, then I have to pay something which I don't get back. But I don't think the formalization is at all going to be lost.

Too many things that have happened in the country for people to buy respectable things and live with life with holding their heads high and spend the money in a straight way and all that kind of things. So I don't think in the margin, it may happen, but that's not something that we are thinking at all. The government may be wanting to do that for mopping up part of what they give away, but from a customer side, I don't think -- they will go back to a jeweller who will give a *parchi* (“receipt”) and not charge GST.

Moderator: The next question is from the line of Avi from Macquarie.

Avi: Sir, I just wanted to kind of understand the jewellery growth a little bit more. You pointed towards multiple headwinds. I understand one of which you said was the volatility in gold prices. Now I just wanted to appreciate what is it that gives us confidence that competition is not a concern, and it is more of this volatility. If you could give us some understanding on that, please? And whether these headwinds have moderated subsequently.

Ajoy Chawla: So I don't think we would like to take away from competitive intensity. Surely competitive intensity is of course, we have recognized and about in every earnings call as well as the Investor Day. We are certainly not undermining that. We think competitive intensity has only gone up and will continue to increase. In addition to the fact that we saw a huge gold price rise, 20% year-on-year, for the quarter is pretty large.

And that has, from our own understanding of being touch with customers kept many customers on the fence which coincidentally, we also saw post budget, there is a certain people who are on the fence wanting to come back in a bigger way. So that is the hard truth of what we experienced besides other things like lesser wedding days and election-related disturbances especially post Akshaya Tritiya. So, all these forces put together I would certainly not undermine competitive intensity, if that is the impression you've got, then perhaps we've not.

Avi: Sir, I may not have come across correctly. And what I meant is that that has not been the key reasons for weakness versus last quarter. It is more an industry phenomenon, how I read it. And there is no material change in that competitor intensity how I read the comments, but I wanted to kind of just appreciate if that understanding is correct.

Ajoy Chawla: So see, different parts of the country have behaved differently. In some regions, we have gained in some regions, we have been flat. And in some markets, we might have lost to either a local player or a rapid expansion suddenly by some national players. So, there are pluses and minuses. At an overall level, our belief is we have held on to our overall market share. Because it's not just one player versus another, there are 40, 50 players we are tracking. So, it's not a straight away win-loss game that you can conclude upon. Therefore, we didn't choose to highlight it because we don't believe we have significantly lost market share. Or for that matter, we have not even gained. So it's been an even steven.

C. K. Venkataraman: From an explanation or a determinant of growth point of view, a matter of factors have a much greater determination growth than this.

Avi: Okay. Got it. Sir, the second bit I wanted to understand your comment on the custom duty. a) Is there any quantum that you could share on what is likely? And b) does this, in anyway, moderate the discounting pressures in jewellery or studied margins, either in terms of the overall quantum or in terms of period of impact, how do you -- would that be a possibility?

Ajoy Chawla: Yes, we hope so also because finally, the gold prices have cooled down to the extent of reduction in custom duty so far, notwithstanding what changes may come either due to GST or anything else.

And other factors, geopolitical uncertainty suddenly pushed up the gold rate in dollar terms higher in the last 1, 2 days again. But those are factors beyond our control. But if gold rates remain moderated, down, like we have seen, then it does give some relief on the gross margin, especially for studded.

And certainly, with a reduction in customs duty by 9%, it significantly reduces the attractiveness of illegal imports into the country, though it won't make it 0. But certainly, it's a step in the right direction, and we really think it is the most appropriate thing that's happened, especially for gold imports into the country.

C. K. Venkataraman: And the ability -- simultaneously, the ability of those players to undercut the formal jewellers and all that dramatically reduces and therefore, your point about the discounting, but it's too soon, just a week. So we'll have to see how that plays out. But if the general principle of that decision is right, and it is right, by and large, then hopefully, that should all start.

Avi: Got it. And the quantum, and I thought would you be able to share the likely near-term hit?

Ashok Sonthalia: So Ashok here. I think while all of us agree that long-term benefit of this move and maximum loss, which we think over next 6 months would flow through our P&L could be in the range of ₹500 crores to ₹550 crores.

But many things can work in different directions, which we yet don't know. And that is why very accurately estimating this is very difficult. This is the maximum number which I shared with you. It can be slightly lower depending on the gold prices, what kind of discounts are happening in the market, et cetera, et cetera.

Moderator: The next question is from the line of Devanshu Bansal from Emkay Global.

Devanshu Bansal: During the analyst meet, we indicated some margin pressure related to our ability to charge the making charge in the wake of sudden spike in gold price. But when we see our Q1 margins, it has actually improved 20 basis points, and this is despite the lower studded growth. So, I wanted to check on the drivers of this margin improvement for Q1?

Ajoy Chawla: So, a large part of it has been on account of overheads management in line with the subdued growth compared to what, let's say, we would have wanted to see. I don't think there is any significant change in the gross margin or the premiums, et cetera, in this quarter. The pressures on margin, I believe, could continue depending on how gold rates behave, notwithstanding the customs duty.

Devanshu Bansal: Got it. And these cost optimization levers are expected to continue in the coming quarters as well, right?

Ajoy Chawla: Yes, it's an ongoing thing to Devanshu because we are constantly alive to the fact that our costs and growth should kind of be in sync. And this is not just for the jewellery business. I think it's -- all the businesses probably Ashok can share if there is something more, but -- it should be in line. I don't know how it will...

C. K. Venkataraman: So the dynamic aspect that Ajoy is referring to. And there is a need, you compress when there is an opportunity, you let it go, it will be like but very agile to deliver to some estimate like that.

Ajoy Chawla: So one other element I want to just share that because of competitive intensity and newer players, et cetera, coming in, we may have to also think of stepping up marketing investments tactically in markets, et cetera, which may have a bearing.

So inventory and also inventory. So it's a dynamic thing. We have -- we kind of take it quarter-to-quarter.

Devanshu Bansal: Got it. That's very helpful. Second question is more on a slightly longer time frame. So globally, leading jewellery players are catering to more consumption occasions as well.

There are -- their presence is also into services and customization, et cetera. In light of rising competition, what is your thought process on these aspects?

Ajoy Chawla: So services, I don't think we have really thought too much about it. We do some amount of service through our carrier network or the craftsmen in the stores. which is refurbishing or jewellery, et cetera, but it's not really seen as a revenue stream. We see it as a customer value add.

Having said that, on bespoke and customization, we have a fairly substantial business in the made-to-order space, which is completely customized designs. And we are expanding that on an ongoing basis and working hard at ensuring that, that piece of the pie keeps growing because it's something which customers really want. It doesn't change the margin profile or anything of that sort. So it's just another growth driver. But it's something that we have driven for some years.

Devanshu Bansal: Got it. In terms of consumption occasions, Ajoy, do you see some white spaces here, which we can cater as a leader?

Ajoy Chawla: Not any new ones, maybe I think both CaratLane and Mia do cater to payday and resell reward, et cetera. But I think pretty much birthdays, anniversaries, weddings, milestones continue to be special occasions around jewellery gets bought for self for gifting.

Devanshu Bansal: I was more asking from athleisure, casual from these occasions perspective?

Ajoy Chawla: No, no, nothing that I can comment on that athleisure. Casual and modern wearable jewellery yes, we do a lot of that. But athleisure, no.

Moderator: The next question is from the line of Aditya Soman from CLSA.

Aditya Soman: Sir, two questions. Firstly, can you give us a sense of the contribution in the jewellery business from the overseas stores? And secondly, are we seeing any sort of underlying change in the demand environment post this custom duty got any sort of sense in the 15 days that you've had.

Ajoy Chawla: So I think the first answer to the first question is around 3%. International is still very small but growing rapidly. On the post budget announcement and 9% reduction, certainly, there has been a lot of people who are on the fence who have come in and started buying, and we are seeing a continued upswing -- significant upswing in gold and studded growth, more in gold, but also in studded.

And overall, I think the market has seen it is not just us, all players -- so I think there was a lot of fence sitting even due to elections, deferred purchases in Quarter 1. Some of it has now begun to come through is my own understanding as pent-up demand. Yes. So we are seeing good response as we speak.

Aditya Soman: Understand. Very clear. And just to follow up on that, I mean, this also coincided with your activation, right, or coincides partly -- so how has that played out?

Ajoy Chawla: Yes, it is true. In fact, we advanced the activation by a few days, but it has played out pretty well. So it works -- both the forces are at play. But even last year, we had this and we do compare our growth to similar periods of activation. And even that, the numbers are looking good as we speak. And certainly, they have jumped up post the announcement of the budget.

Moderator: The next question is from the line of Percy from IIFL.

Percy: So my question is on the custom duty cut. So while the custom duty has been cut materially still the gold price today is only 5% below the all-time high. And 5%, that kind of volatility can happen on a day-to-day basis. I mean, it's not a material sort of drop. So how much do you think can this small cut really spur the demand by?

Ajoy Chawla: So Percy, difficult to answer that question. But just to give you a sense, even 2-3 days before, the budget MCX rates were already 2% to 3% below. Okay. And then post that, there was some fluctuation and when I added up both over a period, it looked like 8%-9% reduction. But in the last couple of days, again, due to geopolitical or other international factors, the dollar gold rate has gone up.

So it's a dynamic environment is the best I can say. But so far, what has happened is this has resulted in a customer sentiment to come in and buy jewellery. And we are continuing to see that. Let's see how the next few days also progress. Let's say, this weekend will tell us how things stabilize in the mind of the customer also.

C. K. Venkataraman: Also, the other side of it, which we spoke a little earlier is the level playing field aspect of the formal organized sector players who play with the rules versus those who may be using the illegal gold coming into the country. That change is in favour of the organized players. Demand -- total demand is one part, yes. But the relative demand and market share potential in the near term is to the advantage of the organization.

Percy: Got it. Secondly, just wanted to understand the competitive dynamic here. So, this was a weak quarter and even so more because wedding season was very weak. And the other large-listed player has a higher share of wedding jewellery than us. And yet their SSG is 12%, we are at 3%. So how do we look at this? And is there any sort of -- I mean, in terms of market share within the organized players, is there some decline that you see? Or whatever is this differential is made up by some of the other organized players doing worse?

Ajoy Chawla: Okay. I'll try to keep it as succinct as possible. See, the contributions of different regions is very different for us versus, let's say, the other organized player you are referring to and some of the other large chains materially, it's very materially different. So just to give you a sense, while we have declared a 9% growth in total business and a 3% on same store, actually, that figure doubles. I mean, not double, 16% is the growth figure, if I look at only South markets.

And in a way, somehow that aligns with or is slightly better than whatever we have picked up of the reported figures of other organized players. And we do track many of them, not just the listed ones, but even the unlisted. So South has performed rather differently in this quarter compared to other regions.

Percy: Any reason for this differential performance?

Ajoy Chawla: Actually very difficult to say. It's just that I think the election-related disturbances as well as the heat wave and the wedding days. So in the South, wedding dates were not as badly impacted in the North and Lagan markets and all which is the Bihar, UP, et cetera, there, there were no dates in the quarter, but in South had some dates and also had some more dates in July. So I think South had some different forces at play, and that has benefited, I think, all players, not just us. So there's a difference in the relative regional contribution. And our own sense is that there has been substantial expansion activity by some of the organized listed and unlisted players in North and East. And that base itself is very low for them.

And therefore, that shows up in differential growths as well. And if I were to pick up my own reading, I think this East, the bigger share gain or loss would have come from regional players. And there, I think we've, in fact, gained. West, I think it is more or less stable. It's not too much of a difference is our reading and North, there has been a lot more competitive activity by organized players, but their base is small, so they have certainly grown faster than us. Unable to say right now whether we've lost to them or we have gained something from local players, that bit is very difficult to make out.

Percy: Got it. And last quick question on margins versus your guidance in the analyst meet a couple of months earlier. Is there any sort of tilt towards upside or downside in terms of confidence around those numbers? I know it's too early to change the guidance. But just in terms of the confidence, is there an upside or a downside risk to that number?

Ashok Sonthalia: If you compare Quarter 1 of last year and Quarter 1 of this year, actually, we are slightly better off through cost control, et cetera. Custom duty impact, we already articulated, which is going to be certainly affecting margin going forward for us.

Percy: Yes, that I'm treating as a one-off anyway.

Ashok Sonthalia: So if we normalize to that, then we don't have any reason at this point of time to think about changing our guidance.

Moderator: The next question is from the line of Shirish Pardeshi from Centrum Broking.

Shirish Pardeshi: More curious to understand, our focus recently, I'm saying that there are a lot of impetus store opening on Zoya and Mia, not per se Zoya. So maybe if I look back, I think if you want to help us to understand what is the value contribution non-Tanishq will have broadly, I mean, not specific?

Ajoy Chawla: It's less than 5%.

Shirish Pardeshi: Okay. And the reason why we are pushing a lot of Mia is that you think there is an ample opportunity beyond CaratLane.

Ajoy Chawla: I think there's opportunity for both CaratLane and Mia, and there are 6 - 7 other players in the market. So, if you think of it, the market size of younger, modern audience is pretty large in

India, you're talking about 40 million, 50 million addressable people and I don't think put together, we are able to address even less than 10% or 15% of that market.

So as more and more players are also there, it is actually quite good to have multiple horses in play pretty much if you think of an F1 race, there were more than 1 car for a Ferrari or a McLaren, et cetera. So it's actually good that we are able to dominate that part of the market.

As I shared in the Investor Day, between Tanishq, Mia and CaratLane we are a significant player, in the portfolio play in terms of buyer growth, acquiring new buyers is very good. And hence, the opportunity is large, very large, for both brands CaratLane and Mia, we don't see the reason to hold one back for the benefit of the other. I mean both can grow.

Shirish Pardeshi: So what would be the new buyer contribution this quarter?

Ashok Chawla: Overall, excluding CaratLane, I have the data on Tanishq, Mia, Zoya readily, it's around 45% is the new buyer contribution, which is just a percentage point lower than last year same quarter despite whatever challenges that we talked about that Quarter 1 saw.

Shirish Pardeshi: Okay. No, why I'm asking this because if last 2 quarters, if I see, our exchange used to be 1/3rd to I don't know what this quarter is, but if the exchange is strategically coming down, will it have a direct impact on our revenue growth momentum?

Ajoy Chawla: Exchange? Not really. Exchange is not -- it is pretty much in the same ballpark, just a couple of percentage points here and there.

Shirish Pardeshi: It would be 35...

Ajoy Chawla: In exchange.

Shirish Pardeshi: It would be around 35%.

Ajoy Chawla: Yes, it is around. It is 35% if I look at the Tanishq's number.

Shirish Pardeshi: No, I was just more asking curiously, Ajoy. If the exchange is the one of the component of buying the high-value jewellery and if the gold prices are higher, that will also influence the customer's decision. So that's what I was more curious that if the customer has had a different taste.

Ajoy Chawla: Okay. No, no. So let me clarify. If your question on exchange is different, I was mixing it up with the previous one. Exchange is lower by a couple of percentage points as a contribution in the current quarter but not significantly more. And it is in correlation with wedding, there's a lot of correlation between wedding purchases and exchange.

Wedding contribution was 21% last year, it's 20% this year, exchange was 37% last year, 35% this year. So there is a correlation there. And typically, this year, we have seen, compared to last year, lesser people. In fact, people are thinking gold prices may go up further or also gold movement during election period is restricted. So those factors also come into play. So I wouldn't read much into the figures. It's materially not too different. We should wait and see for how first half looks overall.

Shirish Pardeshi: Okay. My second and last question to Suparna. It's heartening to see that in Fastrack volume growth is upwards of 16%. Is there any specific regional changes we have done in terms of promotions or penetration or offers?

Suparna Mitra: So most of the change has actually been in the product. And we have worked a lot on making the product more fashion forward. We had launched a sub-brand called Vyb for young women last year.

And also on the main Fastrack brand, the 2- 3 things that are working are differentiated products as well as premium products. We've introduced premium products like ceramic, automatics which sell at ₹10,000, and consumers have lapped it up. So, our product line-up is now much more oriented towards today's young customer, and that has given us a lot of boost. And this was actually work in progress that was going on for more than a year. And I think now we are seeing the results of this.

Shirish Pardeshi: I'm asking this question. If this volume continues, there will be some mix change towards the second half. And that's my worry that if we have the margin guidance, whether we will be able to continue with that margin guidance.

Suparna Mitra: No. In Fastrack, the sub-brand margin profile is different, but the main Fastrack brand is very healthy margin. There are no margin issues there.

Moderator: The next question is from the line of Nihal Mahesh Jham from Ambit.

Nihal Mahesh Jham: The first question was, again, to the jewellery segment that from the way we look at it, the competitive intensity looks like it is here to stay, given the rise of some of the organized players. Historically, have you seen some triggers, which has helped to moderate competition? Or do you think this is a new reality going forward?

Ajoy Chawla: I think it's a new reality, more will come in fact one more has entered the fray also in July.

Nihal Mahesh Jham: Absolutely. I had a second question, which was on the charge that we saw that just to clarify, the impact of this charge, which is related to the factor in import duty is mainly on the gold on lease portion out of the outstanding on the day of the budget, right? Or is it going to be some impact which could continue going forward?

Ashok Sonthalia: No, it will not continue. It was gold on lease and some of the portion which we hedge to forwards that was also there. So these two put together. So, there is nothing going forward. It is determined at that point of time, and that's the maximum number which I shared with you. It can be slightly better than that, but yes, that's the one.

C. K. Venkataraman: As we liquidate this inventory, this will flow.

Nihal Mahesh Jham: Understood.

Moderator: The next question is from the line of Vivek M from Jefferies India.

Vivek M: My first question is, over the last decade at different points of time you have given your market shares and your aspirations. But Venkat and team, when you look at market shares today, do you look at the total jewellery market, which is where you want to gain the market share? Or do you also look at within organized? Do you want to hold on to market share or do you want to gain market share?

Because let's say, by your admissions you are seeing competition will rise in the organized space. Does that mean that from an overall market perspective, you may gain share, but within unorganized, so within organized you may lose? How do you think about this share from an organized perspective?

C. K. Venkataraman: No, we think about it from a total market point of view because there are so many markets where we are going into, there is no organized player only. For example, if I take Sitamarhi, Madhubani, Raxaul, there is no brand there, which of the kind we legally speak about.

And we are putting our stores, which are doing ₹40 crores, ₹50 crores, ₹70 crores in a year and so many small towns across the country. So, we look at it from a total market point of view. But from a competition point of view, particularly those who are likely to affect us are the larger players, the more professional independents, to more professional, regional players. And therefore, in each state or city, we have to reference those and act accordingly.

Ajoy Chawla: So just to throw a little more flavour. In many regions, the local player is very strong compared to some of the other places. Not just in small town, but even in, let's say, certain larger states. So there, we refer to them.

Second, we do track growth of all the organized players, and we do track our relative growth like-to-like total growth. For these organized players as well as for the unorganized key play players around 40, 50 brands, we tend to track city by city. So, we are mindful of their growths and our growths as well, and therefore, we would not like to fall behind as far as possible.

C. K. Venkataraman: Also, it's a very complex situation because the nature of the industry -- I mean, the size of the industry being so large, the formalization opportunity still being very large. We can continue to do exceptionally well even when some others come in and do that. Because they may be going after customer segments of a different type and all that. But all those who are likely to play in the same customer segment as we do, and therefore, we can get affected by their success.

Our failure and their success are in a way intrinsically linked. That's where the focus is greater when we start understanding. And because we are a retailing company with very high database, there were more than 1 crores of Tanishq customers in our database. And therefore, if somebody buys we lose, we know so all that kind of a city level, catchment level, gain loss thing is the continuous but improving focus of the division.

Vivek Maheshwari: Got it. Thank you for the elaborate explanation. The other thing. Venkat and team, and we have asked this at different points of time, but given how situation is on the scenarios emerging particularly in the developed markets, in your Tanishq network, do you see customers asking for, let's say, lab-grown diamond increasingly?

Ajoy Chawla: So we've been tracking. We've been trying to track inquiries on a continuous basis across all the stores Tanishq, CaratLane, Mia, Zoya. Zoya there's, of course, very few. And so far, we have not seen material inquiries. What we do hear about this that customers want to know -- they're a little more curious -- and they want to be assured that what we are selling, is it natural? Has it -- has it got any lab, et cetera. There are some questions and some of them have even gone on to demand, 'can you please certify that yours is entirely natural?' etcetera. We've had to do that and we've won it and done that. But yes, there is enough and more noise in the market, if you think of media, if you think from a number of players, et cetera, coming in.

C. K. Venkataraman: Also, I mean, it will play out, and we'll know better. But I'm just saying, if you go back historically to maybe even two decades back to American movies, right, and where male proposes to a bride-to-be or bride-to-be showing off what she got from her fiancé. So, this whole rock and the size of that rock and the solitaire and my god, that guy thought of you so much, and therefore, he bought such a bigger rock. That has been at the center of the American jewellery industry.

And therefore, the motivation of all those men who are getting -- who are proposing or getting married to buy the best rock possible for the bride is also at the center of what is happening in the American Diamond, American LGD industry. And you combine it with the sanction that the American jewellers have also given in a big way to the LGD product lines by keeping it within and the overall penetration of naturals in the American consumer markets.

So you combine all this, so the potential playground for LGDs have been dramatically lifted there. Whereas in India, this first point where the man is trying to impress the women with the size of that big diamond rock that he is buying for this is not even present. Of course, it is evolving. The solitaire market in India is in a way in that space. But the share of solitaire to the total diamond jewellery in India is relatively small.

So therefore, that also including the fact that women are not asking or men or not asking in India, what Ajoy was saying, that's also because of the absence of the latent demand for something like that. And therefore, the way it will play out in Eastern markets, not just in India because you can look at even other Eastern markets of the world, where one big signal of affluence is the acquisition of a natural diamond product apart from a big car, a big house and stuff like that. So, it's a very multidimensional thing at play as well.

Vivek Maheshwari: Got it. And a very small question for Ashok. Just from my understanding, I'm sorry, with a very naive question. But in the case of gold exchange, there is no GST implication or is there? On the gold itself.

Ajoy Chawla: No, no, there is -- when we take back gold on exchange, there is a GST element. Sure. But TEP, there is certainly a GST element when we take a Tanishq exchange. And for the gold that comes in from non-Tanishq, we just melt the gold and give that person a credit note, but on Tanishq exchange, there is a gold. There's a GST loss for the customer.

Ashok Sonthalia: Customer loss, but we don't have any implication. Once we sell again, then, of course, GST plays out, yes.

Vivek Maheshwari: No, sorry. My question is the GST impact will be only on the differential, which is the gold -- which is the making charge, right? On the gold itself, if I give my gold to you, you give me back the gold and whatever making charge that you charge me on that, there will be a GST because it's my gold, which I'm giving you and giving me back, assuming I give you 100 units and you...

Ashok Sonthalia: These are two different transactions. We are buying. We are taking from you, and we are selling it to you.

Vivek Maheshwari: Okay. So, there is an implication on the gold itself for the customer. There's a loss of value.

Ajoy Chawla: There is a loss of value.

Moderator: The next question is from the line of Siddhant Dand from Goodwill.

Siddhant Dand: My first question was regarding the CaratLane leadership changes. So, has this affected the business? And have there been other leaders who have exited lately?

C. K. Venkataraman: Sorry, who was that, please?

Siddhant Dand: The Management -- so there's been leadership changes at CaratLane, right?

C. K. Venkataraman: This is Venkat here. So Avnish Anand was one of the founders, co-founders of CaratLane has chosen to leave for personal reasons, and it was an amicable kind of discussion and decision. And after considering all possible candidates, we concluded that Saumen Bhaumik should be the new leader, and he will formally move in soon. And there has been a lot of welcoming of Saumen and the new leadership that he brings from the CaratLane team, and the early signs are very exciting and positive. And I'm sure we are headed for even greater things in CaratLane.

Siddhant Dand: Okay. Perfect. My second question was regarding -- there's a big difference in consol and stand-alone profit. So, is this largely the losses in the international business?

Ashok Sonthalia: There are two elements, apart from losses in the international business, there is one-off item, which has been explained in our presentation. We had a $2 million loan extended by our U.S.

subsidiary, TCL NA to an entity, recoverability of that has come under question mark. So, we have fully provided for that. So that's kind of a one-off item also sitting there.

Siddhant Dand: Okay. Just a request to upload the presentation a little earlier for that?

Ashok Sonthalia: Yes, we take your request, but we are also, when the Board approves the accounts thereafter only we can upload that. So yes, but we will try to keep that in mind.

Moderator: The next question is from the line of Akshen from Fidelity.

Akshen: Yes. So, some of my questions have got answered. So, I won't repeat them. Just wanted to congrats Venkat on the book, really love reading your perspective in detail. Thanks for writing the book. One question was around the lab grown diamond. I know it's work in progress. So you guys, you said you are monitoring data. But when you speak to customers, have you seen resistance like you said, some people are asking for guarantee, et cetera.

How can you provide that guarantee? I mean naive understanding but from what we understood, it's very difficult to differentiate on polished on what is natural and what is lab grown. So, do we have that kind of control on our sourcing that we can give that guarantee to the customer?

Ajoy Chawla: It's an important question, and we've been at it for the last several years, in fact, 4 to 5 years aa lab grown has been in the market for quite some time, supply side, at least. We have invested extensively in equipment across all our partners and our own labs and our own sourcing and in-warding offices.

We are ensuring that every stone, first of all, we source most of our stones directly through sightholders and through very stringent norms, we work with very stringent norms. So, every stone is tested. Thereafter, if we do pass it on to any of our job work vendors or outwork vendors, it is tested by them. It is again tested before we take it in, and it's ensured that before it enters our warehouse, it is completely checked. And in fact, even outward, there is checks done. So, there are 3 to 4 times that the product gets tested.

And we have the latest equipment, which will ensure that there is absolutely no contamination. And this is one of an important risk, strategic risk that we had identified almost 4-5 years ago, and a lot of investment has gone into this. So we, for sure, can -- because we are deeply involved in the manufacturing, sourcing of stones and supply of manufacturing of the jewellery, we can say that for sure. I agree with you that for many other retailers, it may be a challenge because they are not involved so much in the back end of the value chain.

Akshen: I'm just trying to think is that something that we can publicize and advertise because like the karatmeter was a differentiator then, would this be a differentiator now.

C. K. Venkataraman: Good input.

Akshen: My second question was just the difference in EBIT margins between consolidated and stand-alone in jewellery, is the margin seems to be low in the implied subsidiary numbers. I don't know if that's to do with only the extraordinary or there was something more of play over there?

Ashok Sonthalia: No, it is lower in the subsidiary outside and the subsidiary is scaling up. But our expectation is that as they grow, their margin profile certainly should improve. But of course, in this quarter, it has not happened. So yes, that's the reason. But eventually, when we spoke about even Annual Investor Day, over 2 to 3 years' timeframe, we believe that subsidiary, which is CaratLane should scale up as well as improve the EBIT margin profile.

Akshen: Very last question, just how should we be thinking about your net interest expense going forward? It's sort of been rising from about ₹100 crores a quarter now to ₹230 crores this quarter. Is the run rate we should be working with right now? I know there is an M&A debt, which is sort of carrying forward interest because that's something that I think there is a very wide variance on street to just get perspective on that.

Ashok Sonthalia: So, there is one component of borrowing. It's sitting on our balance sheet, which we raised for acquisition of balance stake of CaratLane. And there is a defined timeline when those bullet payments would happen.

Until that point of time, that is going to stay currently, it is ₹60 crores - ₹65 crores in a quarter. The rest of it, I think, is the short-term borrowing and versus our investment. If you look at other income also, other income is also at a higher level in quarter. So more or less, that interest cost is neutralized by our liquidity management and cash management. So, we are not worried about that. The CaratLane piece will be out of our way in the next 2 years.

And then it is the treasury management. So interest costs, the short-term borrowing costs will never be a hit to P&L because there will be commensurate other income. It is just part of cash management and peak cycle of the cycle management. And sometimes even in the inventory when we decide to purchase a spot gold because we see some benefit, et cetera. So that's the part of, I would say, surplus treasury management that interest would not be hurting P&L. The long term, which is about ₹60 crores - ₹65 crores at this point of time per quarter will get paid out over next 2 years.

Moderator: The next question is from the line of Latika Chopra from JPMorgan.

Latika Chopra: Two questions from my side. The first one was on your comment that the high-value studded jewellery has been subdued. And you've signed in with the part that I think Ajoy mentioned this time, the activation started a little earlier. I wanted to understand in these activations, are we making any specific interventions to incentivize the customers to buy more of high-value studded? And any early signs of any kind of feedback in customers' behaviour change towards this segment? That's the first question.

Ajoy Chawla: It's too early to comment, Latika. I don't have that kind of data in terms of how is the composition of growth been, etcetera. So, I can't really answer. Are we incentivizing more for high-value? Compared to last year, no, we are more or less in the same ballpark. Certainly, we didn't have too much of products in the first quarter, especially in ₹5 lakh-plus and ₹10 lakh-plus. And that could have also contributed a little bit to what was the comment made in the earnings presentation.

Going forward, we have infused new collections as well as some very good inventory into high-value studded, ₹5 lakh plus, ₹5 lakhs to ₹20 lakhs actually. So, we think there should be a good uptick, but very early to comment because I really don't have that level of data right now. We'll wait and see how it plays out.

Latika Chopra: Sure, sure. The second one was on the custom duty reduction. Just trying to understand, I know it's been two days only, but you did talk about a better demand coming back. But do you also sense some bit of later demand in the year because of wedding or festivity getting a little bit more preponed? And also, do you think there could be a scenario where the jewellers could probably raise making charges a bit to kind of mitigate the impact on inventory losses because customers got used to a of level of high absolute making charges. when those prices are higher. Just trying to check if there's any thoughts there?

Ajoy Chawla: I hope the latter comes true. But I really can't comment on behalf of the rest of the jewellers. We are not likely to do this kind of game because we are anyway at a premium vis-à-vis the market. So, we'll stick to what we have is what I can say. How demand will play out? Let's hope it does play out well because it all depends on how gold rates dynamically behave. It's not easy to predict what happens to gold rate, especially dollars per ounce.

C. K. Venkataraman: The global macro is pushing the gold rate up despite the customs which are pulling it down. And therefore, in a matter of just a few days, the difference has gone almost, you could say, right, or could go.

Moderator: The next question is from the line of Tejas Shah from Avendus Park Institutional Equities.

Tejas Shah: Venkat, thanks for writing the book, it was a fantastic read. First question. See, as you have been highlighting for a while at the regional players are expanding nationally and formalizing a lot. Have you become a favourite hunting ground for talent? And have we earned an unwanted distinction of becoming CEO factory for the sector?

C. K. Venkataraman: We have had some ex some not-ex exits or joining from this. Certainly, if I look at the most recent entrant into this industry, it's a good lineup. If you take a photograph, it looks like a Titan team meet. And yes, so from a -- one of the things -- the advantages that Tanishq had for a long time was the whole capability leadership depth and professionalism. That is a challenge today because certainly, the other companies are starting to become much more professional, wanting to attract talent of that type, changing their profile from a typical owner-driven kind of culture to give freedom and opportunity.

So you could also look at it from a one point of view, it's also a better thing for the industry, from multiple points of your customer experience, employee experience, partners will become more better treated and all that, while certainly raising the stakes for Tanishq to reach its next level of excellence. So, what Ajoy and team is doing and, in a way, forced into doing also. But it's a good thing. It's -- I wouldn't like to be always in a state of being where we were maybe 10 years back. So, we are a hunting ground.

We are losing people -- I mean we have lost some people. And on the retail side, the challenges are even greater from a store point of view. But the Tanishq culture is strong, the Tanishq brand, even for employee brand side is strong, and we need to work harder to retain people. So that's part of life. And it's also an evolving thing. It's not like a sudden change. So, the team is also used to continuously improving how we play that game on multiple fronts.

Tejas Shah: Got it. And how are the recognition of this talent? Are we having homegrown talent? Or are we also looking for other industries or our industry to kind of that industry.

C. K. Venkataraman: Actually, the category expertise is actually key, very important, if not crucial. And therefore, from other industries or even within the company from other categories and especially in certain functions where the depth of expertise is key. It's not that easy to replicate.

But because Titan Company has got a very, very long-standing and a very deep and wide talent management program. We have people across the company who would have served in jewellery for a long time earlier and maybe now doing roles in other divisions. And therefore, at short notice, we can mobilize if necessary.

And we also have a very robust talent transfer program within the company through which they can come in and pitch in or step in if it is required, but we would need a good mix of category experts from within and outside. And of course, some can be from outside the category from within or outside.

Ajoy Chawla: Just to add a little bit more flavour. So, if you think of retail, it is not necessary that you need your jewellery experts all the time. You can develop it -- though when you go to you be wedding or high value, you need a few experts. If you think of supply chain, you don't need think of marketing you don't need, but certainly, design category and specific manufacturing, some parts of manufacturing, sourcing also you can manage -- so it's a mixed bag. And it's a combination also of homegrown from within at the cadre level and then there is lateral. So, it's a combination of these plays.

Tejas Shah: So, I just hope that you don't leave your family pitch which has worked in Titan, for Venkat, work for any future talent before we think on that part.

So just the one which you mentioned in the book, right? Just one request again, somebody also highlighted earlier, if you can increase the gap between the result release and concall, we can have much more time to go through the accounts and have much better discussion on numbers.

Ashok Sonthalia: If you'll be happy to take a call at 7pm to 8pm, then maybe we can think about that.

Tejash Shah: Perhaps next day then.

Ashok Sonthalia: Yes. Yes, taking note of it.

Moderator: Ladies and gentlemen, we would take that as a last question for today. I now hand the conference over to Mr. Venkataraman for closing comments.

C. K. Venkataraman: Thank you very much. It was a very useful conversation with a lot of perspectives coming from your side to make us think more about our future and see you next time.

Moderator: Thank you. On behalf of Titan Company Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.